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Message Text

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ORIGIN EA-12

INFO OCT-01 ISO-00 EB-08 SS-15 STR-07 OES-07 TRSE-00
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APPROVED BY EA/J - NICHOLAS PLATT
EB/ITB:WBARRACLO;GH
E:JFWILSON
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DOE:GHELFRICH
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FM SECSTATE WASHDC
TO AMEMBASSY TOKYO IMMEDIATE

C O N F I D E N T I A L STATE 066958

E.O. 11652:GDS

TAGS:ETRD, ENRG, JA

SUBJT:JAPANESE FEELER ON ADVANCE PAYMENT FOR ENRICHMENT SERVICES

REF: (A) TOKYO 3567; (B) TOKYO 3725

1. EMBASSY SHOULD TELL FONOFF ECON BUREAU DIRECTOR-GENERAL TESHIMA THAT US HAS NO OBJECTION, IN PRINCIPLE, TO HIS "PERSONAL IDEA" THAT JAPANESE UTILITIES MIGHT PREPURCHASE US URANIUM ENRICHMENT SERVICES. AT SAME TIME, WE PERCEIVE NO PARTICULAR BENEFIT TO THE US FROM SUCH AN ARRANGEMENT, AND ARE CONCERNED LEST IT DIVERT ATTENTION FROM NEED TO
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ALLEVIATE LONG-TERM, STRUCTURAL TRADE PROBLEMS. WE PRESUME THAT GOJ WOULD DECIDE WHETHER OR NOT TO PURSUE TESHIMA'S "IDEA" PURELY ON BASIS OF ADVANTAGES IT PERCEIVES FOR JAPAN, E.G., RELAXATION OF PRESSURE FOR FURTHER YEN APPRECIATION.

2. FROM A NUCLEAR POLICY POINT OF VIEW, ADVANCE PAYMENT

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FOR ENRICHMENT SERVICES APPEARS TO BE FEASIBLE PROVIDED THAT JAPANESE DO NOT REQUIRE ADVANCED DELIVERY AS WELL. (FYI: 1972 ADVANCED PURCHASE AGREEMENT PROVIDED FOR ADVANCED DELIVERY). US WOULD REQUIRE THAT DELIVERY OF ENRICHED URANIUM TAKE PLACE IN ACCORDANCE WITH TIMETABLE ESTABLISHED IN EXISTING DOE CONTRACTS WITH JAPANESE UTILITIES, AT PRICES IN EFFECT AT TIMES OF DELIVERY.

3. FROM ECONOMIC POLICY POINT OF VIEW, US WOULD REGARD PREPAYMENT FOR ENCIRCHMENT SERVICES AS A ONE SHOT ACTION WITH IMPACT, IF ANY, CONFINED TO EXCHANGE MARKET PRESSURES. AS UNDERSECRETARY COOPER TOLD FORMER DEPUTY FONMIN YOSHINO DURING CONSULTATONS HERE LAST OCTOBER, US WOULD NOT OPPOSE MEASURES BY JAPAN THAT EFFECTED SHORT-TERM REDUCTIONS OF THE CURRENT ACCOUNT SURPLUS, BUT NEITHER WOULD IT CONSIDER THEM A CONTRIBUTION TOWARDS SOLUTION OF FUNDAMENTAL PROBLEMS.

4. FYI: BY OUR ACCOUNTING, ALL WE WOULD GET FROM THE PROPOSED PREPAYMENT WOULD BE A NEWSPAPER HEADLINE; THE CURRENT ACCOUNT IMPACT WOULD BE NO DIFFERENT FROM THAT OF PAYMENT ON A PAY-AS-YOU-GO BASIS. I.E., THE PREPAYMENT WOULD SHOW UP IN THE CAPITAL ACCOUNT AS AN EXPORT OF JAPANESE CAPITAL/INCREASE IN US LIABILITIES TO JAPAN. NOT UNTIL THE JAPANESE TOOK DELIVERY OF THE ENRICHED URANIUM WOULD IT SHOW UP AS A CURRENT ACCOUNT
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ITEM. REQUEST EMBASSY CONFIRM IF JAPANESE ACCOUNTS WOULD HANDLE TRANSACTION IN SAME FASHION.

5. IF TESHIMA AFTER HEARING RESPONSE OUTLINED ABOVE IS STILL INTENT ON PURSUING PREPAYMENT SCHEME, DEPARTMENT WOULD WISH DETAILS, SPECIFICALLY, WE NEED TO KNOW SCALE AND TIMETABLE JAPANESE HAVE IN MIND.

6. MITI VICE MINISTER MASUDA RAISED THIS SUBJECT WITH UNDERSECRETARY COOPER ON AFTERNOON OF MARCH 15, AS SPECULATED IN REF. B.COOPER REPLIED ESSENTIALLY AS ABOVE.
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